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Aon Risk Services
Natural Resources Group

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August 21, 1997

Office of Information and Regulatory Affairs
Attention Desk Officer for the Dept. of the Interior
(OMB Control number 1010-XXXX)
725 17th Street, NW.
Washington, DC 20503

RE: MMS PROPOSED RULE ON FINANCIAL RESPONSIBILITY FOR OFFSHORE FACILITIES

To Whom It May Concern:

On behalf of the American Institute of Marine Underwriters - Producer Advisory Committee, we have examined the proposed captioned rules (as per the Federal Register Volume 62, number 57 dated March 25, 1997) and we have the following concerns:

It appears that the form must be signed by the Broker, in Paragraph 4, and the Underwriter(s), in Paragraph 5. Although the regulations state that Paragraph 5 may be signed by the Underwriter, Managing Agent, or "Delegated Broker," we believe that Underwriters would be reluctant to let brokers sign on their behalf, in view of the obligations the Underwriters guarantee in this paragraph. Chiefly, there is the obligation to allow the MMS direct access for claims, with only extremely limited defenses available to underwriters. We believe Underwriters will be wary of allowing this access in any case, and even more wary to let brokers sign on their behalf to allow direct access.

If Underwriters reserve the right to sign Paragraph 5, this could cause significant administrative problems in obtaining multiple signatures on multi-layered subscription placements.

Furthermore, it appears that even if Underwriters sign on their own behalf in Paragraph 5, the Broker also has to sign Paragraph 4. In this paragraph, the broker certifies that the named insurers comply with all requirements stated in the rules no. 30 CFR 253.29 (security requirements mandating Lloyds, ILU, or "Secure" rating). While this is not an onerous requirement, 30 CFR 253.29 (3) also states that the "Secure" rating be in the "latest" review by Bests, S&P, etc. It doesn't specify that the rating be in the "latest" review *as of the date the form is submitted*. Thus, we wonder about the obligation of the broker, who has certified by signing the form, for example, in a case in which an insurer's rating degenerates during the policy term, or an ILU company which leaves the ILU. Does this mean brokers are now a responsible party because they have certified that the requirements have been complied with? Are brokers

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responsible for replacing degenerated security and filing a new certificate? If so, in what time frame?

Finally, we can understand the need for brokers to sign Paragraph 4 if they also have the "delegated" authority of underwriters to sign Paragraph 5. But if underwriters do not delegate the authority to sign Paragraph 5, why should brokers be obligated *at all* to sign Paragraph 4, which imposes on them certification responsibilities to the MMS?

Finally, we suggest that in any event Paragraph 4 be amended as follows:

The insurance agent or broker identified above ("Broker") certifies that the information contained in this insurance certificate is accurate and correct, and that this insurance certificate and the named insurers comply with the requirements stated in 30 CFR 253.29. Broker agrees to maintain and provide to the Designated Applicant and the Minerals Management Service (MMS) on demand, any delegations of authority to a broker or an underwriter of another insurer or underwriting manager to bind a named insurer to all risks and liabilities specified in Title I of the Act of which broker has actual knowledge. Broker further agrees to notify, in accordance with 30 CFR 253.41(c), the Designated Applicant and the MMS Oil Spill Financial Responsibility Program, by written notice sent by certified mail, of the intent to terminate this insurance certificate prior to the end of the coverage period specified above, promptly upon being informed of such intent. The foregoing agreements to provide information shall terminate at such time as Broker ceases to be the broker for the Designated Applicant.

Sincerely yours,



ALP/pa

CC: Minerals Management Service
Attention: Rules Processing Team
✓ Mail Stop 4700
381 Elden Street
Herndon, Virginia 20170-4817

Mr. Robert A. DeMotta, Aon
Mr. John J. Delach, J&H Marsh & McLennan